

Folio:

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THE MAGAZINE FOR MAGAZINE MANAGEMENT

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Foreign buyers: Can U.S. publishers compete?

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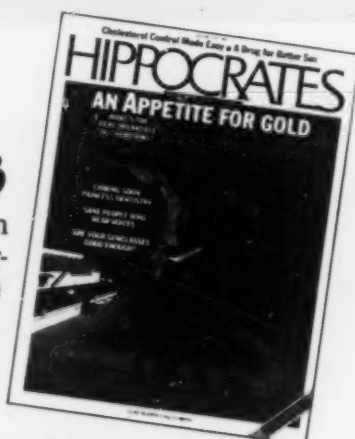


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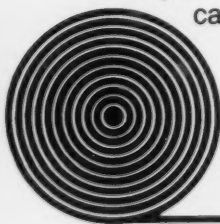


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UPDATE

Ad growth continues for consumer titles

But fortunes reversed for many fashion, finance and general interest titles

■ **New York City**—The tally is in for the first half of 1988, and travel and shelter titles are ad page winners. On average, though, fashion titles and business and personal finance titles, which posted gains in 1987, were down, while the "seven sisters" were flat.

Overall, the 156 magazines measured by Publishers Information Bureau (PIB) held on to the strong ad growth momentum of the second half of 1987. The page total of 81,186.98 was up 4.4 percent, compared to a flat first half in 1987, when pages were up less than 1 percent over the previous first half.

Revenue was also up 9.4 percent to \$2.83 billion for the first six months of 1988.

Strong growth emerged, in part, from healthy spending in automotive (+19.3 percent); toiletries and cosmetics (+18.2 percent); mail order (+8.5 percent); travel (+14.4 percent); apparel (+14.1 percent); and computers and office equipment (+5.4 percent). Four of the top 10 categories were down: business/consumer services (-10.4 percent); food (-2.5 percent); cigarettes/tobacco (-3.2 percent); and publishing/media (-1.7 percent). In total, spending in the 10 categories—which represents more than two-thirds of total ad spending—was up 7.5 percent to \$1.99 billion.

Strong showing in travel, home

The 14 home and shelter titles continue to be hot, with an average page gain of 7.5 percent. Revenue was up an average 16 percent. *Metropolitan Home* continued its upward climb with a 31.7 percent gain in pages and a 32.1 percent increase in revenue to \$13.8 million. *Mother Earth News* also made

Top 10 magazines by ad page growth

Publication	Pages	% change from 1st half '87
<i>Cooking Light</i>	107.94	98.8%
<i>World Tennis</i>	335.95	89.6
<i>Vanity Fair</i>	493.04	56.4
<i>Good Food</i>	125.33	53.8
<i>Cable Guide</i>	187.92	41.5
<i>Mother Earth News</i>	225.78	38.1
<i>The Atlantic</i>	281.55	36.4
<i>American Way</i>	838.50	33.0
<i>Metropolitan Home</i>	526.34	31.7
<i>Golf Illustrated</i>	178.12	26.7

Source for all charts: Publishers Information Bureau

Four of the fastest growing magazines in advertising pages this year are food and shelter titles.

a strong showing with a 38.1 percent page gain to 225.78 pages and a 51.5 percent climb in revenue to \$2.6 million.

Travel titles also made notable inroads. *Travel & Leisure* was up 15.1 percent in pages for a total of 694.26; revenue was up to \$22.2 million, an 8.1 percent increase. *Conde Nast Traveler*, previously unmeasured, registered 304.93 pages and \$6.2 million in

revenue. *European Travel & Life* was up 114.1 percent in revenue to \$3.4 million, despite an 8.8 percent dip in pages.

Several of the general interest titles had an optimistic first half, having beaten recent ad doldrums. *Life* was up 13.5 percent in pages and 21.9 percent in revenue, following 25 percent losses for year-end 1987. *The Atlantic*

(CONTINUED ON PAGE 60)

Retailers demand better sell-through

"If wholesalers won't cut newsstand overcrowding, we will" say retailers

■ **New York City**—Faced with more than 3,000 titles available on retail racks, and sell-through rates dipping below 50 percent, some retailers are demanding that wholesalers make rack space more profitable, or they will use that space for something else.

Despite the industry's hawking of a Direct Product Profitability (DPP) study, which demonstrates the high

level of profitability magazines bring to supermarkets and convenience stores, "there is an urgency among retailers" to improve efficiency, says John Harrington, president of the Council for Periodical Distributors Associations.

Lucky Supermarkets, for example, a major western supermarket chain, notified wholesalers early this year that it would not take magazines with less than 65 percent sell-through. (Only about 20 titles are that efficient, says Harrington.) Lucky apparently got little response and jolted wholesalers with a second demand of 80 percent efficiency. After meeting with wholesalers,



UPDATE

Strong ad growth

(CONTINUED FROM PAGE 37)

registered a 36.4 percent page increase, and revenue jumped 54.5 percent to \$3.9 million. *Vanity Fair* continued its strong gains with a 56.4 percent page hike; revenue surged 85.8 percent to \$11.4 million.

Business and finance falter

After gaining 6.5 percent in 1987, the 17 business and personal finance magazines registered an average 2.3 percent page loss for the first half of this year. Revenue, however, was up 6.2 percent. Interestingly, *Changing Times* was down 5.4 percent in pages but fell 11.6 percent in revenue. *Sylvia Porter's Personal Finance* dove 26.7 percent in pages and 7.4 percent in revenue. *Manhattan, Inc.* was also noticeably down, 19.6 percent in pages and 8.4 percent in revenue.

The standout was *Business Month*, which leaped 65.8 percent to \$4.5 million in revenue, while racking up a 17.6 percent increase in pages.

Top 10 magazines by advertising pages

Publication	Pages	% change from 1st half '87
<i>Business Week</i>	2,071.25	-2.6%
<i>TV Guide</i>	1,738.35	-2.6
<i>People</i>	1,718.75	3.6
<i>Forbes</i>	1,563.26	0.7
<i>New York</i>	1,511.59	0.8
<i>Bride's</i>	1,509.28	18.8
<i>Sports Illustrated</i>	1,475.15	14.3
<i>Vogue</i>	1,461.60	2.5
<i>Fortune</i>	1,434.27	5.0
<i>Time</i>	1,207.45	1.7

Despite page slides, *Business Week* and *TV Guide* are one and two in ad pages. Only two double-digit gainers are among the top 10.

The three leaders, *Forbes*, *Fortune* and *Business Week*, also reported revenue growth, though only *Fortune* made notable page gains. *Business Week's* first-half dollars were up 4.8 percent to \$102.2 million, while *Fortune's* were up 11.9 percent to \$62.5 million. *Forbes* was up 5.8 percent to \$57.6 million.

Only *Elle* made a strong showing this year among women's fashion titles. Its tremendous growth (10.4 percent in

pages and 58.8 percent in revenue) overshadowed page declines for *Glamour*, *Harper's Bazaar* and *Mademoiselle*. *Glamour* and *Harper's Bazaar* were down in revenue as well. *Vogue*, however, made modest gains in pages and revenues.

Two men's titles, *GQ* and *M*, had an average page gain of 12.2 percent and a revenue gain of 21.2 percent. *GQ* was up notably, 16.0 percent in pages and 23.3 percent in revenue, for an es-

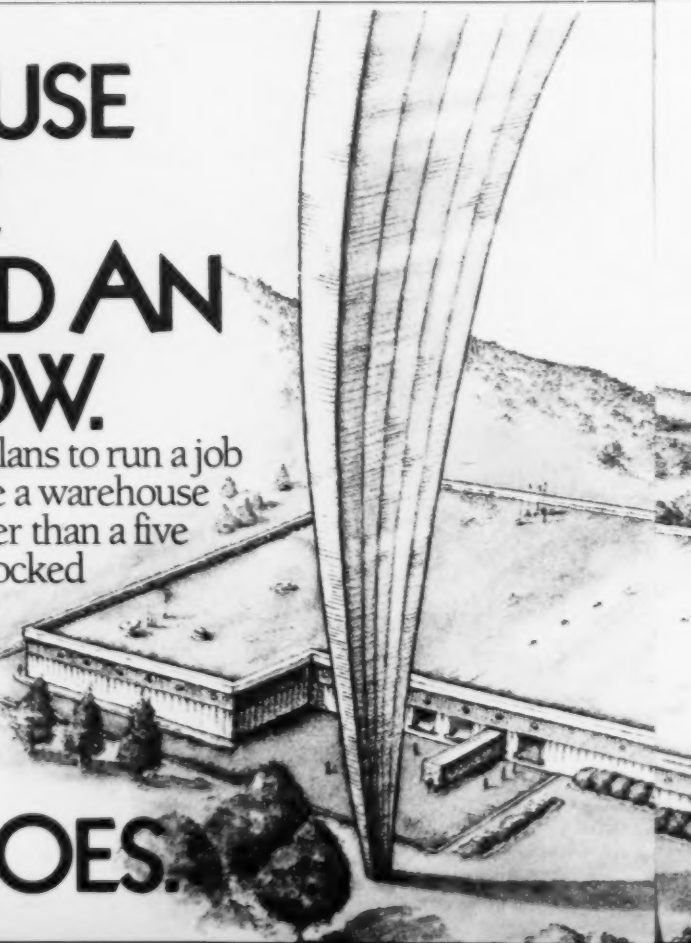


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timated total of \$18.5 million.

Another major men's title, *Esquire*, was up 3.2 percent in ad pages, but slightly off in revenue.

'Seven sisters' flatten out

While four of the "seven sisters" registered page gains, *McCall's* continued its slide downward, off 16.9 percent. The magazine's revenue was off 12.1 percent to an estimated \$28.7 million. The page leader, *Family Circle*, was up 18.6 percent to 872.34 pages, while *Better Homes and Gardens* led in revenue, with a total of \$73.1 million. The average page gain for the seven titles was nearly flat at .8 percent. But the estimated average revenue increase was 21.7 percent.

Among other women's titles, *Savvy* was up 19.7 percent in pages and 44.6 percent in revenue. *Working Mother's* pages were off 10.6 percent, while *Working Woman's* dipped 1.6 percent. The latter two are sold in a package that includes *McCall's*.

A new design and editorial revamp of *Ms.* has yet to reverse the magazine's ad woes. Pages were down 12.1 percent to 186.79, and revenue sagged 4.2 per-

Top 10 magazines by revenue growth

Publication	Revenues	% change from 1st half '87
<i>World Tennis</i>	\$4.9 million	132.3%
<i>European Travel & Life</i>	3.4	114.1
<i>Cooking Light</i>	1.2	113.5
<i>Golf Illustrated</i>	1.3	89.2
<i>Vanity Fair</i>	11.4	85.8
<i>Business Month</i>	4.5	65.8
<i>Good Food</i>	1.5	63.5
<i>Elle</i>	23.8	58.8
<i>The Atlantic</i>	3.9	54.5
<i>Endless Vacation</i>	1.3	52.9

Special interest titles show the strongest growth. Leading the pack is *World Tennis*, up 132.3 percent in revenues.

cent to \$2.3 million.

Of the three newsweeklies measured, only *U.S. News & World Report* made substantial page and revenue gains. The magazine ran 892.04 ad pages during the first six months, an increase of 17.2 percent over the same period last year. Revenue was up 25.1 percent to \$59.8 million. In contrast, *Time* had a 1.7 percent increase in pages and a 3 percent increase in revenue. *Newsweek* dropped 5.9 per-

cent in pages and 4.2 percent in revenue.

Rolling Stone, with a 20.5 percent page gain to 884.7, stood out among remaining weeklies and biweeklies measured. Revenue was up 28.2 percent to \$28.2 million. *Us*, a sister publication of *Rolling Stone*, was up 11.2 percent in pages for a total of 312.22. Estimated revenue leaped 24 percent.

Circulation giant *TV Guide* dipped 2.6 percent in pages; revenue was flat.—J.M.A.



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UPDATE

Late delivery of monthlies at 64 %

■ Slight improvement was noted for delivery of second class monthly publications during the second quarter of 1988.

Whereas 72 percent of monthlies hit mailboxes late during the first quarter, 64 percent did so in the second.

Nearly all cities listed had improved scores for beating the Postal Service's own delivery standard. Seattle registered the greatest advance: Its score for delivering monthlies better than service standard leaped 53 points, to 83 percent. (Interestingly, the remaining monthlies in Seattle were delivered more than six days beyond service standard.)

Seattle's winning score is nearly 50 points ahead of second-place Phoenix, which delivered 37 percent of its magazines better than service standard. At the other end of the scale were Washington, D.C., and New Orleans, which had 87 percent and 90 percent of monthlies delivered late, respectively. □

Delivery box score: Monthly publications, April 1-June 30, 1988

City/(Zip Code)	Better than USPS standard	Service standard	1-6 days late	Later
Composite average*	14%	22%	60%	4%
Boston (021)	14	17	66	3
New York (100)	5	22	71	2
Buffalo (142)	0	22	78	0
Pittsburgh (152)	7	27	66	0
Philadelphia (191)	13	23	48	16
Washington, D.C. (200)	2	11	76	11
Atlanta (303)	4	19	74	3
Miami (331)	26	37	37	0
Memphis (381)	16	26	58	0
Cincinnati (452)	15	30	55	0
Detroit (482)	0	22	78	0
Milwaukee (532)	15	25	55	5
Minneapolis (554)	18	35	47	0
Chicago (606)	14	8	78	0
New Orleans (701)	0	10	87	3
Dallas (752)	3	35	62	0
Houston (770)	14	29	57	0
Denver (802)	20	32	48	0
Phoenix (850)	37	38	25	0
Los Angeles (900)	12	15	65	8
San Francisco (941)	19	52	25	4
Seattle (981)	83	0	0	17

*Includes other U.S. cities and SCFs not listed
Source: Red Tag News Publications Association, Inc.

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Delivery of weeklies improves slightly

■ Late delivery of weeklies improved slightly in the second quarter of 1988, but more than half of all weeklies still failed to reach readers' mailboxes on time.

Fifty-five percent of weeklies were delivered late in the second quarter, compared to 59 percent in the first.

All cities showed improved on-time delivery, with the exceptions of Memphis, Milwaukee and Chicago. New Orleans had the greatest upgrade: Its on-time delivery score advanced 19 points, to 34 percent. The city, however, still holds claim to one of the worst late delivery scores: 48 percent of weeklies mailed there arrive more than one day late.

Pittsburgh, at the bottom, delivers 68 percent of its magazines one day late or later. The top score is held by San Francisco, which delivers 71 percent of its weeklies on time.

The scores reflect delivery from all parts of the nation to the cities listed. □

Delivery box score: Weekly publications, April 1-June 30, 1988

City/(Zip Code)	On time	1 day late	Later
Composite average*	45%	28%	27%
Boston (021)	44	31	25
New York (100)	60	25	15
Buffalo (142)	44	32	24
Pittsburgh (152)	32	31	37
Washington, D.C. (200)	51	25	24
Atlanta (303)	48	29	23
Miami (331)	43	27	30
Memphis (381)	34	33	33
Cincinnati (452)	37	39	24
Detroit (482)	63	21	16
Milwaukee (532)	50	30	20
Minneapolis (554)	69	22	9
Chicago (606)	44	33	23
New Orleans (701)	34	18	48
Dallas (752)	42	30	28
Houston (770)	38	33	29
Denver (802)	42	31	27
Phoenix (850)	38	29	32
Los Angeles (900)	56	24	20
San Francisco (941)	71	18	11
Seattle (981)	65	14	21

*Includes other U.S. cities and SCFs not listed
Source: Red Tag News Publications Association, Inc.

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Foreign buyers: Can U.S. publishers compete?

The favorable currency exchange rate isn't the only factor that makes foreign publishers aggressive competitors

BY JENNIFER HOWLAND

It's 200 some odd years later, but the cry is still ringing among publishing patriots—"The Redcoats are coming!"

Today, the Redcoats, in the eyes of publishing nationalists, are any foreign buyer of a domestic publishing operation. And with an admitted surge of buying interest on the part of foreign companies—dramatically demonstrated in August by Murdoch's purchase of Triangle Publications Inc.—questions are being raised by industry professionals.

- Can domestic companies compete in the acquisition arena with cash-rich, currency favored, aggressive foreign media conglomerates?

- Does increasing foreign ownership of media interests in this country pose a threat to the national interest in a free press?

- Are foreigners, specifically Europeans, actually dominating the bidding for publishers, or is that more perception than reality?

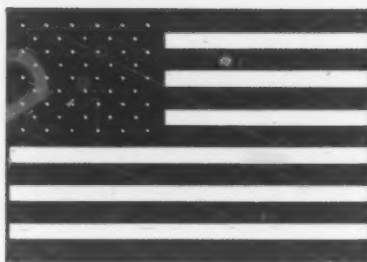
The answers to these questions depend, in part, on who you ask. David Orlow, a publishing consultant, says "factually, much more foreign ownership has occurred than people realize—they own billions of dollars worth of

U.S. publishing." Yet others speak of the growing internationalization of publishing, and indeed business in general. "Publishing is worldwide now, especially in the business press," says Paul Beatty, vice president, marketing, International Thomson Retail Press. "It's rare to find a publishing company without an international operation." Still other analysts, like Tom Kenney of Thomas Kenney & Co., special media advisers with First Boston, question the premise that Americans aren't competing. Kenney notes that while European companies have been active in the United States, they have not been dominant, and that, in fact, American companies are actively buying other American companies. And there is the reverse example of U.K.-owned Argus, which put its American publishing properties on the auction block last spring.

What really is going on? On one point there is no disagreement: There are many more foreign companies with holdings in the United States publishing industry today than 10 years ago. By various estimates, the number is between 15 and 25, compared with one or two. And a host of factors—not the least of them the currency advantage enjoyed by foreign buyers in this country—make foreign publishers eager and aggressive investors in America. In

Jennifer Howland is a freelance writer specializing in media topics. She was formerly managing editor of FOLIO.





fact, once you begin lining up the reasons foreigners want to buy into America, it's no wonder questions arise as to the willingness of domestic buyers to compete against them.

That's what Dave Charleson thinks. Having sold Charleson Publishing in 1983 to an investment group composed of Keeley Management Company and Dillon Read, he watched it sold, in turn, as U.S. Business Press (USBP), in part to Elsevier, a Dutch company active in acquisitions in the United States today. Then, in 1986, USBP sold all its assets to International Thomson, another aggressive acquirer of U.S. publishing properties, and CBS, after which USBP went out of business. Charleson has just bought back *Food & Beverage Marketing*, a magazine he started in 1981, from Thomson, and is hot on the acquisition trail.

"I've been approached by banks that want to finance me," he says, but he's having difficulty finding a property to buy. "There are a great many European companies that are very cash rich. With the exchange rate so good they can afford to pay higher multiples, and they can also borrow locally more easily and for less interest than a U.S. company can. As a U.S. purchaser, I've found buying a profitable company almost impossible. The Europeans will grab

it up and pay a higher price," Charleson states.

Financial considerations, such as the currency advantage and the access to cheaper capital, are just the beginning of the list of reasons foreigners buy in the United States. The currency issue is often cited as a reason foreigners can pay more for U.S. properties than domestic buyers.

"They may be bidding the same amount as an American company in dollars, but from their own currency standpoint it's less," explains Derek Goodman, vice president at Henry Ansbacher Inc. "Therefore, they can offer more than American companies can in dollars," he states.

Of course, any profits earned from a U.S. acquisition come in the form of dollars, so the return is still related to the purchase price in dollars.

To think the currency advantage is behind a buying surge in this country is inaccurate, says John Suhler, president and co-owner of Veronis, Suhler & Associates, investment bankers. "The truth is that every single company that has made an acquisition here in the last two years began that process in the last five years, before the currency advantage started," he claims. "To think currency is all the reason is a misimpression."

Indeed, there can be a down side

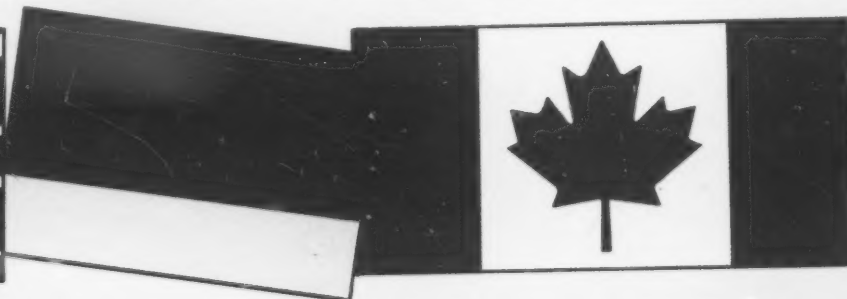
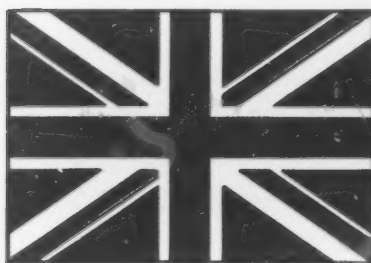
to the currency issue because of the possibility of downward fluctuations, Suhler notes. In a negative currency environment, the advantage felt today quickly shifts the numbers on a foreigner's balance sheet and can result in a serious drag on profits in the home country. "Currency can cut both ways," he cautions.

Other factors weigh more heavily, Suhler suggests. For instance, abroad and especially in Europe, access to capital is made easier through such vehicles as a rights offering, a public offering of equity in companies. According to Suhler, this practice takes less time and is more acceptable as a way to raise capital abroad than in this country.

Furthermore, interest rates are cheaper there. "Where we pay 9 percent, they pay 6 percent," says Charleson.

Many of these offshore companies are also "enormously well off," says Suhler, "with terrific balance sheets. They're not as heavily leveraged as many American companies."

There are also sometimes tax advantages to buying in the United States, adds Matti Prima, Ansbacher's managing director. "A Dutch company has the right to write off good will as a tax expense, and therefore improve cashflow. That way they get back their investment faster. You can't do that in



Selected foreign mergers and acquisitions, 1983-1988

Year	Bought	Sold	Title	Publisher	Price (millions)
Elsevier (Gordon Publications)				Holland	
1988	x		<i>Nursing '88, Learning '88, Office Systems '88</i>	Springhouse	\$100.0 (E)
1987	x		<i>Laser and Optonics and Fiberoptic News</i>	High Tech Communications	N/D
1987	x		<i>Powder/Bulk Solids, Pharmaceutical and Cosmetic Equipment</i>	Machalek Publishing	\$3.5 (E)
1987	x		<i>Orthopedic Review and Anesthesiology Review</i>	Macor	N/D
1987	x		<i>HVAC, Domestic Engineering, Plumbing Engineer and The Wholesaler</i>	Scott Periodicals	N/D
1985	x		14 product news and business titles	Gordon Publications	\$38.0
1985	x		<i>Packaging Digest</i>	Delta Communications, Inc.	N/D
Fairfax				Australia	
1987	x		<i>Ms.</i>	Ms. Foundation for Education	\$10.0 (E)
Hachette Group				France	
1988	x		13 consumer titles, including <i>Woman's Day</i>	Diamandis Communications	\$712.0
International Thomson Retail Press				Canada	
1988		x	<i>Food & Beverage Marketing</i>	Charleson Publishing Co.	N/D
1988		x	<i>Wire Technology International</i>	Initial Publications Inc.	N/D
			<i>Fastener Technology International</i>		
1987	x		<i>Convenience Store Merchandizer</i>	Associated Business Publications	N/D
1986	x		6 business titles	U.S. Business Press	\$15.0
1986		x	<i>List, MacMarketer, Compac</i>	Ted Leonis, et al.	N/D
1983	x		<i>Purchasing World</i>	Technical Publishing	N/D
Maclean Hunter Media Inc.				Canada	
1987	x		<i>Frozen Food Age</i>	Frozen Food Age, Inc.	N/D
1987		x	<i>Remodeling Contractor</i>	Hanley-Wood Ltd.	N/D
1986	x		6 business titles	Lakewood Publications	N/D
1985	x		<i>National Mall Monitor</i>	National Mall Monitor, Inc.	N/D
1985	x		<i>Guitar Player, Frets, Keyboard</i>	GPI Publications, Inc.	N/D
Maxwell Communication PLC				England	
1986	x		12 agricultural titles	Webb Agricultural Group	N/D
Murdoch Magazines				Australia	
1988	x		<i>TV Guide, Daily Racing Form, Seventeen and Good Food</i>	Triangle Publications Inc.	\$3 billion
1986			<i>European Travel & Life</i>	Inabit Communications	N/D
1985			12 business titles	Ziff-Davis Publishing Co.	\$350.0
Reed International (Cahners)				England	
1988	x		<i>Furniture/Today</i> and seven other titles	Communications/Today	N/D
1987	x		<i>Variety</i>	Variety, Inc.	\$60.0 (E)
1987	x		<i>Modern Bride</i>	Diamandis Communications	\$63.7
1987		x	4 business titles	PennWell Publishing	N/D
1986	x		<i>American Baby</i>	American Baby, Inc.	N/D
1986	x		22 business titles	Technical Publishing	\$250.0
1986		x	<i>Appliance Manufacturer</i>	Corcoran Communications	N/D

(CONTINUED)

Reed International (Cahners) (CONTINUED)			England	
1986	x	<i>VA Practitioner</i>	Aster	N/D
1985	x	<i>Publishers Weekly</i> and three other titles	R. R. Bowker	N/D
1985	x	<i>Physicians Travel & Meeting Guide</i>	Media Networks, Inc.	N/D
1984	x	<i>Interior Design, Corporate Design</i>	Whitney Communications	N/D
1983	x	<i>Chemical Purchasing</i>	John Myers Publishing Company	N/D
1983	x	<i>Emergency Medicine, The Journal of Cardiovascular Medicine, Communications in Medicine</i>	Fischer Medical Publications	N/D
		<i>Transition—Medicine and the Aging Process</i>		
1983	x	<i>Electro Optics</i>	PennWell Publishing	N/D
Southam Inc.			Canada	
1987	x	16 regional trucking titles	Allied Publications	\$11.0 (E)
United Newspapers plc (PSN Publications, Miller Freeman, Gralla Publications)			England	
1988	x	<i>Television Broadcast</i>	Globecom Ltd.	N/D
1987	x	<i>Computer Language, AI Expert</i>	CL Publications	\$5.0
1987	x	<i>Paper Trade Journal</i>	Vance Publishing	N/D
1987	x	<i>Medical World News</i>	HEI Publishing	N/D
1986	x	<i>Merchandising</i>	North American Publishing	N/D
1986	x	<i>Pro Sound News</i>	Testa Communications	N/D
1985	x	7 forest products and paper titles	Miller Freeman	\$9.4
1985	x	4 optometry titles	Advisory Enterprises	\$8.5
1984	x	<i>Sew Business</i>	Sylvan Publishing Inc.	N/D
1983	x	13 business titles	Gralla Publications	\$44.0
VNU Business Publications Inc. (Hayden)			Holland	
1988	x	<i>Electronics</i>	McGraw-Hill, Inc.	N/D
1987	x	<i>Personal Computing, Computer Decisions, Electronic Design, Microwaves & RF</i>	Hayden Publishing	\$44.0
1987	x	<i>Computer & Communications Decisions</i>	Baetech Publishing	\$10.0 (E)

(E): estimated N/D: not disclosed

this country," he explains.

Aside from financial reasons, there are some compelling persuasions for foreigners interested in expansion to come here. "The U.S. media scene and the communications business in general is one of the fastest growing non-financial industry segments in this country," Suhler asserts. "It's grown at half again the rate of growth of the economy in the past five years, and we're forecasting that premium to continue. It's the most attractive growth scene in the U.S. economy according to Suhler."

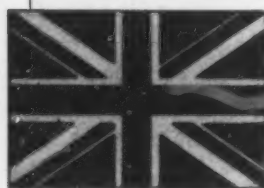
Add to that the "comfort" factor that foreign publishers enjoy in the U.S. environment. For one thing, there is much less regulation here than in their home countries. Many European companies encounter such

governmental control of television that they have been forced to concentrate on print media, he remarks. Each country has rules and regulations similar to our antitrust laws, but because of heightened concentration in the hands of a few firms owing to the small size of the home markets, the firms endure intense regulatory scrutiny and consequently don't have the freedom to expand internally, he notes.

The size of some of these companies dwarfs their U.S. peers, Suhler comments. "Two out of the three largest publishers in Holland have revenues of about \$1 billion in U.S. dollars," he notes. "That's in a country of 15 million people, one twentieth the size of the United States." If you take U.S. media companies and subtract their broadcasting operations,

which European companies are not permitted, "you'll find many European publishers are order of magnitude relatively larger for their population base than are U.S. companies," he states. Merger boards have the authority to keep them from growing, he notes. "Since they aren't able to grow locally, they look to the United States as a bigger, faster growing, more decentralized market not as dominated by a few companies, and with a political environment and economy more open than their socialized systems," Suhler states. Culturally as well there are "comforts" to being here. "This is the largest English speaking country in the world," notes Ron Segel, president of Cahners Publishing and Reed Publishing USA.

"There are parallels between our



Maxwell Communication, PLC

Covets U.S. business publishers

Robert Maxwell, "the bouncing Czech" based in the United Kingdom who has become an international media baron in the last decade, knows what he wants: a global communications company worth between \$5 billion and \$10 billion by 1990.

His parent company, Maxwell Communication, PLC, already has major holdings throughout Europe, the Far East and Africa, but his sights are particularly focused on the United States and Canada. Like other foreign publishing giants bent on expansion, Maxwell sees North America as a prime spot—given its large literate population and the diminishing value of the dollar. His Connecticut-based Maxwell Communication, N.A., is his base of operations on this continent.

To say that Maxwell has the deep pockets with which to bring this about is to state the obvious. In last year's annual report, he says that a mere \$2 billion was available for acquisitions. In early summer, he paid \$150 million to acquire the SRA Publishing Division of IBM, consisting of educational and testing books.

His latest move was to enter the bidding war with the Robert M. Bass Group for Macmillan Inc. At press time, Maxwell had bid \$80 per share, or \$2.32 billion, topping Bass's bid of \$75 per share. But Maxwell's bid is contingent on Macmillan's declining to go ahead with a proposed restructuring. Macmillan, publisher of Standard Rate & Data Service directories and a slew of technical journals, would seem to be a good fit for Maxwell, whose Pergamon Press already publishes many such periodicals. In general, Maxwell has a decided taste for technical, business and educational periodicals.

Maxwell says in last year's annual report that "our objective is for more than half of our total Group earnings to come from [communications and publishing]." But so far he has been much more successful, at least in the United States, acquiring communications firms—in printing, fulfillment and telecommunications—than publishing companies. The

Macmillan bid comes on the heels of last year's unsuccessful takeover attempt of Harcourt Brace Jovanovich, which recapitalized in order to thwart Maxwell. Maxwell has also missed acquiring Bell & Howell and *Scientific American*.

As a U.S. magazine publisher, Maxwell so far owns only 12 agricultural titles (obtained in the acquisition of Webb Printing) and Pergamon Press. Subsidiary Headway Publications, a publisher of customized magazines based in Great Britain, opened a New York branch this year following the launch of *Global Business*, a controlled title with partial distribution to U.S. executives.

But beginning in late 1986, Maxwell began buying U.S. printing concerns—Providence Gravure, Webb, Diversified Printing and Alco Gravure—and has now established himself as the second largest printer in the United States after R.R. Donnelley, with annual sales in excess of \$700 million. He has already become the number-one producer of Sunday magazines, including *Parade* and *USA Weekend*; the contract for *Parade* is said to be in excess of \$1 billion.

Maxwell has also acquired two fulfillment firms—PUB/DATA and Worlco Data Systems, as well as Direct Marketing Technology, a database services company catering to the catalog and direct marketing industries. And Maxwell, in his only joint venture thus far, has collaborated with Quebecor Inc. in acquiring a 56 percent interest in Donohue Inc., a Canadian newsprint and pulp manufacturer.

In the telecommunications field, Maxwell has acquired AD/SAT, which does satellite transmission of advertising to newspapers nationwide. He also owns Independent Network Systems, which transmits editorial information—text, photographs and graphics—by satellite to periodicals, including magazines.

Maxwell apparently means it when he says that his goal is to "give our customers one-stop facilities to meet their global professional communication and information needs."—M.G.

experiences . . . they don't feel vulnerable to misunderstanding the tastes of our consumers," Suhler adds.

"It's a large market, the consumers are rich, there are a number of business opportunities and it's a homogeneous buying group," Goodman states. "Every home has a VCR. It's not like Europe where tastes are more idiosyncratic and there is a chauvinism about the best cars being German or the best food being French, built up over 800 years of culture. In the United States,

people don't care where the product comes from as long as it's good quality and a good price." There are also difficulties in cross-country acquisitions within the European community, although many barriers will be coming down in 1992, Goodman notes.

Plus, the home markets are really saturated, Goodman continues. "European companies had huge growth in the sixties and eighties and they saturated their markets. Now they've run into a wall at home," he says. Plus, the

home markets are more fragmented, not as affluent, and there are divisions separating classes, for instance, in England. "They don't think alike," he states. "This is a simple, easy to exploit, very open people," he says of the U.S. populace, and quotes a statement attributed to Rupert Murdoch that all Americans need are eight hours of sleep, eight hours of entertainment and eight hours of work, which they do all in the same language and culture.

There is also a sense of stability in

International Thomson Organisation Ltd.

Positioning for U.S. growth



Look for Canadian publisher International Thomson Organisation Limited to increase its presence in the United States as at least one major group reorganizes for expansion and others launch new titles.

Regarded as a solid, well-managed and highly profitable business publisher, Thomson intends to continue its growth with an aggressive but very selective acquisition program. Noting increasingly competitive markets, Robert Jachino, president of Thomson's Information/Publishing Group, has told stockholders that Thomson will be "a vigorous, successful competitor in all its marketplaces."

Thomson has not been a particularly active buyer in the U.S. magazine market in recent years, however. In 1986, its Business Press division—Thomson's principal U.S. magazine publisher—bought a six-title group for \$15 million. Last year, it bought *Convenience Store Merchandiser*.

In fact, Thomson's Business Press sold more magazines than it acquired this year, consolidating and streamlining some groups by selling off titles that no longer fit into its finely targeted magazine networks.

Industry sources now expect Thomson to become a larger player in the U.S. magazine market, with each of the eight independent companies within the Business Press group acting on its own strategic plans. Medical Economics Company, for example, recently launched *Healthy Heart*. International Thomson Retail Press recently restructured its group of 9 titles as the first step in a growth plan expected to double the group's size.

Thomson is apparently a shrewd buyer. "They seem to be pretty savvy, pretty leading edge in terms of searching for value," says Mark Stone, vice president at brokerage Henry Ansbacher, Inc.

Stone views Thomson as an aggressive acquirer in certain of its divisions, such as the Information Services group. The company has been known to pay a small premium, if needed, to get the properties it wants.

A diversified international company, Thomson has seen steady increases in both sales and earnings in the last several years. In 1987, worldwide sales to-

taled \$3.5 billion, turning an operating profit of \$329 million. In addition to publishing, it has significant interests in leisure travel and oil and gas operations. Since it invested in oil in the early 1970s, Thomson has deployed its oil profits (\$71 million in 1987) into building its Information/Publishing Group. The group has invested \$1.5 billion over the last five years in acquiring businesses and product lines.

Overall, Information/Publishing has nearly 25,000 products worldwide, including more than 120 magazines. The group is Thomson's most profitable business with a 1987 operating profit of \$212 million—64 percent of the company's total. Information publishing, which also has operations in the United Kingdom and Australia, saw profits rise 64 percent for 1987 over 1986.

Information/Publishing's magazine U.S. arm is International Thomson Business Press, publishers of more than 40 business and professional magazines and directories through eight independently operated companies. Each company publishes specialty business titles in such fields as medical, automotive, industrial, transportation and retail markets.

International Thomson Business Press accounts for only 17 percent of the Information/Publishing group's revenue. The rest is similarly attributed to five other divisions, which publish newspapers in the United Kingdom, professional books and financial data.

The cornerstone of Thomson's success, the company claims, is its decentralized management. Independent companies such as Medical Economics Company, Med Publishing and International Thomson Retail Press are managed in local offices around the country and are given a great deal of autonomy.

"[Corporate executives] know that the people out there in the trenches know what the business is all about," says Stone. "They realize that the best thing the corporate people can bring to the table is objectivity, the ability to ask the right questions and get local management to focus in on some things it might otherwise miss. But that's it. They are very progressive and decentralized in that way."—P.F.

this culture. "They feel safe here," says Charleson.

The buying fever feeds on itself. As more companies are bought up, the realization will increase that U.S. companies are valuable because there will be fewer of them to be bought and there will be more interested buyers, says Goodman. "These companies can't help but appreciate," he adds. "As demand rises, the buyers grow and are armed with cash, faced with saturat-

ed markets at home, they must come here."

Japan is frequently mentioned as a potential place to expand, Goodman adds, but lack of understanding of that culture prevents it. Plus, there is a xenophobia on the part of Japanese that fends off foreign investors and makes Japanese reluctant to work with foreigners, Goodman notes.

It will be interesting to see, adds Steve Rattner, managing director and

head of the communications group at Morgan Stanley, if the Japanese and Far Eastern publishers end up coming to this country to publish or acquire.

So what are U.S. publishers doing in the face of these remarkable forces from abroad? Are they in there fighting for these acquisitions, or do they give up before they begin? It's obvious, says Suhler, that U.S. companies don't have "quite the number of factors driving them to acquire" that the foreign-



United Newspapers plc

A serious force on the acquisitions front

Name a U.S. business magazine group that has come up for sale in recent years, and you can bet that United Newspapers (UN) has looked at it very carefully. Recently, UN considered buying the holdings of Argus, a U.K.-based company that wants to unload its publishing interests. In the United States, Argus owns Communications Channels, Atlanta, which has a roster of several dozen magazines and directories.

For now, however, UN's American interests include Gralla Publications; Miller Freeman; *Pro Sound News*, a technical magazine about sound equipment; and *Buy Lines Press*, a title that runs only classified ads. UN also owns Britain's Extel Group, whose U.S. titles include *Investment Dealer's Digest* and *Wall Street Computer Review*. UN entered the U.S. media arena with the purchase of PR Newswire.

Since then, UN has been a serious force on the acquisitions front. The company was second in the running for Billboard Publications, which was sold in 1986 for \$100 million to Affiliated Publications, Inc., an American newspaper company. The final purchase price was astronomical, says Graham Wilson, a UN executive director, offering an explanation of why UN dropped out.

Springhouse Corporation, recently sold for the same price, was another opportunity that UN passed up. Paying prices that are 22 times earnings—which is the case with Springhouse—doesn't interest UN. The American business magazine publishers can't assume that "one will always pay these silly prices," says Wilson. UN had the same feelings about Gordon Publications, which also "went for a very fancy price," says Wilson.

By contrast, UN paid nine times earnings for Gralla and Miller Freeman, says Wilson. Since the

acquisitions, the two companies have grown noticeably. Gralla has expanded its expositions group, while buying several eye-care magazines and *Sew Business*. The company also launched a real estate magazine last year. Miller Freeman, which publishes several magazines about the paper trade, expanded its computer interests with the buys of *UNIX Review*, *Computer Language* and *AI Expert*. The company has also picked up *Medical World News* and some conferences.

UN runs its U.S. operations with an open hand—not even having a central U.S. office. In turn, the U.S. companies are run as independent operating units. Gralla and Miller Freeman talk on occasion to make sure they are not bidding against each other on an acquisition, says Marshall Freeman, president, Miller Freeman.

UN is not shunning consumer magazines, but their even higher price tags make them less attractive, says Wilson. However, the purchase of a special interest magazine is not out of the question. UN already owns a host of such titles overseas. *Classic Boat* is one example.

Newspapers, their mainstay at home, are not an attractive item in the United States, says Wilson. Again, UN is not happy about their high selling prices. Newspaper operations make more financial sense when they contain a group of publications, something UN is not interested in building.

UN is interested in business information systems, like the financial information databases that are related to Extel's magazines.

In 1988, UN's holdings worldwide are expected to bring total revenues of approximately \$1 billion. Its properties include approximately 104 newspapers, 36 consumer magazines, 131 business magazines and seven advertising periodicals.—J.M.A.

ers do. "Some American companies, if they know the property is going to be logically attractive to international media companies, may not begin the process. They may not come to the party if they know they don't have the will to go all the way," he states.

Or, if they do compete, they may be more driven by straight economics than the foreign competitors, who may have an overriding desire to establish a beachhead in the United States. "The American companies are already here. They may not have the strategic issues driving them, and obviously don't have to pay a premium to be here. It's been our experience that of

U.S. companies actively interested in negotiating, they may not have the last 10 percent to 20 percent worth of value to put down in a bidding fight," and will consequently lose out in that round to foreigners, Suhler states.

"Americans tend to look more at what they can do operationally with titles, how efficiencies can be made from combinations with properties they own," comments Kenney. "Europeans don't have those combination powers."

Some observers of the acquisition scene say nationality matters less than whether the company to be acquired is a "strategic fit," with the acquirer.

"Foreigners are buying selected as-

sets here and they buy when the dollar is weak and when it is strong," says Ken Nelson, president of Elsevier Business Press. "They're buying strategically into the United States."

The key to any acquisition, agrees Segel, is how the property to be acquired fits with the management of the acquiring company. "I wouldn't say that Europeans are predominant in this market," he asserts. "It's individual fits between companies that are important, not nationalities."

In illustration of this fact, Segel points to the long courtship Cahners and Reed made for Technical Publishing before its acquisition in 1986 for

Planning aggressive expansion

VNU Business Publishing Inc., the U.S. publishing arm of Holland-based VNU (translated: United Dutch Publishing), plans to be one of the most aggressively expansive business publishers in the United States during the rest of this decade. The company, called Hayden Publishing before being purchased by United Dutch Publishing in late 1986, currently generates advertising revenues of \$55 million. By 1990, if all goes well, that figure will reach \$100 million. This is clearly a company to watch.

Perhaps VNU's greatest strength is that its parent is one of the most powerful publishing enterprises in the world. United Dutch Publishing, which employs 9,000 people worldwide, racked up overall net revenues in 1987 of \$1.107 billion. On its home turf, it publishes consumer magazines, owns printers and newspapers, and runs a newsstand operation and a market research and database division (which also has a U.S. branch).

The parent firm's dominance of publishing in Holland led to a decision in the late 1970s to seek growth elsewhere in business publishing and business services. Starting with two business titles in Great Britain in 1980, VNU now has 42 titles there, with ad revenues of \$75 million yearly. Besides the United States and Great Britain, VNU has publishing operations in 15 other countries, including France, Spain, Australia, Greece and India.

Even with these credentials, how do you increase ad revenues in the United States by \$45 million in less than a year and a half? One-third of the growth is expected to come from existing properties, with two-thirds from start-ups and acquisitions, according to Robert Lydon, president of the U.S. publishing branch. VNU, probably best-known for *Personal Computing* (its only consumer title) will stick to the computer and electronics industries for its immediate

growth, according to Lydon.

VNU is figuring out ways to build on its current roster (which includes *Personal Computing*, *Electronic Design*, *Electronics*, *Microwaves & RF* and two recent start-ups—*Macintosh Business* and *Engineering Tools*). The firm has started *Electronic Design* Gold Editions, a quarterly product directory sent to the same audience of electrical engineers as 36-year-old *Electronic Design*, a twice-monthly magazine. In September 1988, VNU launched *Electronic Design International*, a 40,000 controlled circulation monthly magazine mailed exclusively outside the United States. "We think the market in technology is becoming global," says Lydon. "If a publisher wants to serve that market's ad community, he'd better figure out a way to go international."

With these additions, *Electronic Design*, in effect, goes from a 24-times-a-year to a 40-times-a-year publication.

VNU's latest acquisition was *Electronics*, purchased last March from McGraw-Hill. Lydon says the company will stick to purchasing single titles, rather than whole publishing companies. At press time, Lydon was in negotiation for a few more titles, though he declined to provide details.

Lydon admits that VNU is negotiating with domestic and offshore publishers, including sister firms in Great Britain and Holland, to establish joint ventures in the United States and abroad. VNU has already set up licensing and cross-licensing agreements with Japanese publisher Nikkei, and Gruppo Editoriale Jackson, an Italian publisher.

VNU's acquisition philosophy is to purchase titles that "fit our portfolio," he says. "We ask ourselves, 'Does it fit our present mix?' and, 'Can we make a success of it?'" Purchases, adds Lydon, are always made in cash.—M.G.

\$250 million. "We were in contact with them for years," because Technical was perceived to be such a good addition to Reed's publishing properties, and in effect Reed made a preemptive bid for Technical, Segel reveals. "It was a company we knew we wanted and we followed it for years . . . It didn't matter that Reed was foreign and it wasn't a matter of price," he states.

In fact, Segel says money is not an issue for American companies in acquisition battles. "Money is the least of the problems in U.S. versus foreign acquisitions," he states. "There is a lot of money available from banks in this country."

If an American company sees a potential acquisition that would make a strategic fit, it will reach for it, agrees Jim Boddorf, executive vice president at Veronis, Suhler. "There's a lot more to the decision than price," he states. "You measure the potential acquisition against a list of criteria: Do I know about the business, is it a market I want to get into," he notes. Although American companies obviously face serious competition from foreign publishers, "they can and do face up to it when something is a strategic buy," Boddorf claims.

In a recent competition for *Furniture Today*, Cahners faced competition

from a number of American bidders, Segel reveals, among them Gulf & Western and Macmillan. "There are still a lot of active U.S. companies," he states.

Cahners represents an interesting hybrid of a foreign and domestic publisher. Although Cahners is owned by the U.K.-based Reed International, it behaves more like an American company than other foreign publishers, several observers say, and in fact is perceived as more American by competitors here and abroad. Segel acknowledges this perception: "I have the advantage of being a U.S. company with a good reputation in the Unit-

The Hachette Group

Reconnoitering and researching

Now that the Hachette Group has realized its ambition to secure a full-fledged publishing base and establish a beachhead in the United States with its \$712 million purchase of Diamandis Communications Inc. (DCI) last June, the French publishing giant expects to run some reconnaissance missions before deploying its considerable forces. Hachette paid 11.8 times cashflow for the U.S. company.

According to Didier Guerin, president of the U.S. subsidiary, Hachette Publications Inc., the Group will continue to shun the business magazine sector in favor of consumer publications. Moreover, at present, further acquisitions are improbable because titles currently on the block have very high asking prices. Therefore, Hachette/DCI executives are concentrating on launches of special interest and niche-oriented consumer publications. Plans call for rolling out one new magazine per year. However, Guerin cautions, this shouldn't be interpreted as a sign that Hachette intends to embark on a much more aggressive U.S. expansion strategy.

Concerning other plans, Guerin reiterates that it has no intention of selling titles to pay off debt—especially since it now has complementary magazines in several markets. (For example, *Car and Driver* and *Road & Track* are numbers one and two in their field.) Nevertheless, given that most of DCI's titles are in mature markets, the betting among industry watchers seems to be that growing *Woman's Day* and most of the special interest publications is going to be tough.

What other options is DCI examining? Projects that lend themselves to international expansion and

cross-pollination. For example, according to Peter Diamandis, president/CEO, *Memories*, a nostalgia magazine, has a concept that should prove completely transferable across international borders, and indeed should also cut across media boundaries, from print to television. A one-shot CBS network TV special based on the *Memories* concept aired in August. Future forays in the broadcast arena depend on audience reaction, notes Phyllis Crawley, vice president, communications, at DCI.

In the meantime, growth plans are also being developed for Hachette's joint venture with Murdoch Magazines, which owns *Elle* and *Premiere*. The partnership will continue on a 50:50 basis, affirms Guerin; and the company is working on importing more French magazines. The two are reportedly also planning a home-decorating/design spin-off of *Elle*.

Hachette also owns book publishing and printing interests and paid almost \$450 million for Connecticut-based book publisher Grolier Inc. the same week it bought out Diamandis. It also owns Curtis Circulation Co., Hackensack, New Jersey.

The Hachette Group is at a decisive point in its international strategy. Until the acquisition of DCI, this development was marked by the different publications of *Elle* in 11 countries. By the end of this year, there will be 14 editions. Today, the United States represents the first outpost of Hachette's overseas activities, accounting for 28 percent of the Group's overall sales. From a total of \$3.6 billion, Hachette expects 1988 revenues from its magazines of \$1.9 billion, including \$300 million from Diamandis.—S.Z.

ed States," and also having the financial strength of European backing, he states.

The Cahners example supports a thesis of several observers of the United States vs. foreign publishing acquisition scene: that the longer a foreign company has a base in the United States, the more it comes to behave like a U.S. company. (Reed purchased 30 percent of Cahners in 1967 and the balance in 1977, Segel says.) Says magazine publishing consultant James Kobak: "Foreign companies may overpay initially to establish a base in the United States, but after they are here for a while they will operate more and more like a U.S. company." He cites Cahners as a U.S. company that's ended up "being pretty independent." And while foreign companies may

seem to compete very strongly in order to establish a base, they'll slow down once that is established, Kobak believes.

"Overseas acquirers have an entry strategy combined with a favorable currency situation that causes them to buy larger and more visible clusters of magazines and pay a premium for them," agrees Hershel Sarbin, of Hershel Sarbin Associates, Inc. "We're going to see overseas companies with a presence here behave much more like what we call American companies. The longer they're in the marketplace, the more their acquisition policies will be similar," he says.

When a deal is done, it is also often more nonfinancial considerations that finalize negotiations, a number of viewers say. If American companies were to

become more sensitized to these issues that are important to sellers, they might have more success, comments Boddorf. "In every deal there are a number of nonfinancial considerations in play," he states. Personal chemistry, the comfort level management feels with the acquirers, the degree of autonomy promised—all are important to sellers, he notes.

"U.S. companies can use knowledge of these nonfinancial considerations to finesse the stronger buying power offshore sellers may offer," Boddorf claims. There may even be a feeling on the part of some U.S. publishers that they would rather "buy and sell American," and that could be capitalized on, he suggests.

"Too many companies focus on the financial side alone without really

Elsevier NV Looking for well-managed companies

In July 1987, Elsevier NV of Amsterdam made what was called a "strategic investment." It purchased 37 percent of the shares of Wolters Kluwer, a major publishing house in Holland. According to a company executive at Elsevier, one of the primary reasons for the purchase was that Wolters Kluwer had an English-language scientific publishing division, and the merger of two companies would produce a company of more favorable size in the international market. The saturation in the Dutch publishing industry and Elsevier's wish to enter the market of English-speaking nations triggered the company's campaign to look for a base in the United States.

"The Dutch market for the company was clearly smaller than the market in America," says Kenneth Nelson, president, Elsevier Business Press in America. In July 1985, Elsevier bought Gordon publications for \$40 million and made it their U.S. base unit.

Industry watchers term Elsevier a scientific publishing house. Almost all the magazines owned by Elsevier Business Press, their U.S. publication company, are business publications catering to the needs of those in medicine, education, industrial and information services. The company has bought 30 trade publications in the past three years. Recently, it bought Springhouse for an estimated \$100 million. Subsidiaries like the Congressional Information Service and Greenwood Press were started to serve the needs of U.S. university libraries by producing microfilm and microfiche of Congressional documents. Other activities include an investment corporation and a special project unit that publishes medical books and directories.

Its investment strategy is simple—go for the mag-

azine that is the leader in its field. Most of the titles owned by Elsevier Business Press have a very strong market base, claims Nelson. So, with every acquisition, it makes sure that the acquired publication's operational management is left untouched. "We acquire a publication only if it has a strong management base," Nelson says. "That way the company can be left to run without interruption."

Elsevier is always on the lookout for new acquisitions. "We look at nearly 15 acquisitions every year. Currently we have three acquisitions in mind," says Nelson. He adds that the company has always done business in cash so far. It has purchased publications for as little as \$10,000, and has also looked into a \$500 million acquisition. The latter, however, failed to come through.

The only setback the company has faced so far is the failure of *Mart Magazine*, which folded last year in December. The magazine, originally started by Bittenheim Publishing and acquired from Morgan Grampian by Gordon Publications, was constantly losing money because of its dwindling ad revenues, according to a company executive.

The perception of foreign bidders coming out on top in the majority of buying transactions because of stronger purchase power is untrue, Nelson says. Of the total biddings lost, Elsevier loses most to the domestic companies. In the past it has lost bids to Macmillan and Times Mirror Inc.

Today, the three operating groups owned by Elsevier, Elsevier Science Publishing, Elsevier Business Press and the Information Group, generate 200 million in billings, which account for nearly 25 percent of Elsevier's worldwide business.—S.M.

thinking about who they're dealing with and what the seller's nonfinancial requirements might be, whether they have a wish list, which might include, for instance, to stay on and manage the company," he continues. In every deal, there are "varying degrees of sensitivity to these considerations," on the part of bidders, he notes.

One recent example of a deal where nonfinancial considerations were very important is Elsevier's purchase of Springhouse, he adds. "Springhouse was sold by two entrepreneurs with a very strong sense of responsibility about the company's future and their employees. They wanted to be there continuing to run the company as they had in the past without heavy-

handed interference from the buyer. These were strong nonfinancial considerations made clear to all the potential buyers but they were responded to in different ways. Elsevier and another company that bid up till the end were in tune with what the seller wanted in this regard," he reveals. Elsevier ultimately won out through a combination of personal chemistry and through a proven track record of acquisitions in the United States in which the acquired companies were left autonomous. "It wasn't a price war," Boddorf maintains.

There is often a perception that a foreign acquirer may give greater autonomy to a U.S. publisher, agrees Nelson, the victor in the deal for

Springhouse. "Four companies bid and two were finalists. We were able to prevail because we agreed to give the company greater autonomy than a U.S. company would," he says. "Although I would manage the Elsevier holdings in this country, the parent company is in Amsterdam," a grueling amount of travel time away, "and the perception is that the foreign company would allow for more freedom here," he states.

The president of a company often mentioned as a potential takeover target, Frederick Waingrow of Petersen Publishing, confirms that nonfinancial considerations would be important in any sale. "We would go well beyond the price in determining who should acquire a company like our own," he

states. Nonfinancial considerations such as the caliber of the acquirer, its objectives, its general culture and environment and the compatibility between the two companies would be extremely important, he notes. Not that Petersen is for sale, of course. "We continue to be more interested in acquiring than in being acquired," he states. Petersen recently bought *Sport Magazine* and is mentioned by consultants as active on the acquisition trail.

And in the end, each sale is special unto itself, adds Kenney. "You can't really generalize about these acquisitions," he states. "In a lot of cases there is something special, a particular reason why a bidder wins—it's not just based on the numbers. The reasons a bidder may go high for a particular company range all over the ball park. There usually is a story attached to ev-

ery situation, and every story is different." There is also no consistent overpaying going on by any one buyer, Kenney adds. "If someone overpays for their first acquisition here, they'll be careful not to overpay on the second," he notes.

And anyway, the street talk about overpaying is often wrong. "Everyone said CBS overpaid for Ziff, and they were wrong. And then everyone said Diamandis and now Hachette have overpaid," says Kobak. "In reality those prices were all right in line. The amounts paid over the last 20 years are no different than they've ever been. In general people are still paying between nine and 14 times earnings."

The perception that U.S. companies are not competing in the acquisition arena is really false, say some knowledgeable observers. "There may

be the perception of a lot of foreign activity, but that may be somewhat incorrect," Nelson says. "There may be 10 to 15 foreign companies interested in the U.S. publishing industry and that's up from two years ago and definitely up from five years ago, but the acquisition level is still in balance with what's going on with U.S. companies." He cites a bidding war for *Plants, Sites & Parks* a year ago in which Affiliated Publications won out over Elsevier.

American companies are definitely in the bidding for publishing takeovers. The 20-odd analysts and publishers interviewed for this article compiled a list of active U.S. acquirers that includes many of the major U.S. publishers: Time, Hearst, Macmillan, Affiliated, Times Mirror, Gulf & Western, New York Times Company,

Bertelsmann AG

Gearing up for more buys

Why has Bertelsmann, widely accepted as the world's largest media company, with 38 consumer magazines, book clubs, book publishing, music and numerous video and broadcast interests, kept such a low profile in the U.S. magazine acquisitions scene in the last few years? Because it has been busy integrating its \$800 million buys of Doubleday book publishers and RCA Records into its operations.

The deals closed in 1986, within two days of each other, putting a bit of a strain on the company's usually full coffers, explains Dr. Juergen Kraemer, head of the company's U.S. corporate office. Initially, the company expected that it would take five years to digest the acquisitions, but that timetable has been abridged, says Kraemer. The burden is easing, which leaves Bertelsmann open to buying more properties. Bertelsmann's July 1987-July 1988 revenues will be in the \$6.0 billion range, with net income after taxes adding up to about \$140 million, according to estimates.

The 153-year-old company owns 75 percent of Gruner + Jahr, a German based publishing company that produces *Parents*, *Young Miss* and *Expecting* for the U.S. audience, as well titles like *Prima*, for European women, and *Stern*, a German newsweekly. The woman's market continues to look attractive, says Kraemer, who discloses that the company has negotiated for U.S. women's titles during the last few years. Launches in the field are a possibility, too.

Bertelsmann was also a bidder for *U.S. News & World Report*, up for sale in 1984, but came in second place to real estate developer Mort Zuckerman.

But don't get the impression that Bertelsmann is exclusively a consumer magazine company. It has a roster of 70 professional and technical publications in Europe, notes Kraemer, who laments that the company has not had the chance to export these to the United States yet. "We would have loved to have gotten into it earlier," he says. The company is now studying the options.

Bertelsmann's most notable error in the U.S. market was *Geo*, a title that soaked up an estimated \$50 million before it was sold to Knapp Communications in 1981. The magazine's demise was blamed, in part, on Gruner + Jahr's failure to establish an identity for the magazine, say observers. For a while it looked like a *National Geographic*, but then became a travel title. Readers and advertisers were confused. The lesson, a painful one, was significant in teaching Bertelsmann to seek U.S. publishing expertise, industry pundits noted at the time.

Today Bertelsmann is known for its decentralized management style. "They really believe in independent, entrepreneurial-type companies," says Elizabeth Crow, president of Gruner + Jahr in the United States. "The relationships between the companies are cousinly," she says.

Bertelsmann, whose growth is legally limited in its home country, is also eyeing other international markets, notably the Far East, says Kraemer. The company, whose vast holdings include Brown Printing and numerous book clubs throughout the world, is expected to be a very active player in the U.S. magazine industry.—J.M.A.



Murdoch Magazines

Aggressively buying in the USA

When Rupert Murdoch bought 24 Ziff-Davis magazines in November 1984 for \$350 million, he sent a message to the U.S. publishing industry: Murdoch Magazines was ready to invest extensively in the American market. And he powerfully telegraphed that message home in one of the largest transactions ever in the publishing industry, when Murdoch's News Corp. acquired closely held Triangle Publications Inc. for \$3 billion this August.

Murdoch Magazines started its operation in 1974 with *Star* and went on to acquire *New York*, and *Village Voice* in 1976. That was it until the early eighties.

According to Leslie Hinton, executive vice president of Murdoch Magazines, the group has been searching for a balance between business and consumer magazines. Prior to the Triangle buy the company's consumer division generated \$200 million annually in sales, as compared to \$100 million from their business division.

Murdoch executives have shown an interest in acquiring magazines rather than starting them. Other than *Star*, the only magazine the company has started is *Automobile*, which the industry pundits term a lukewarm success. (However, with 3.6 million circulation each week, *Star* can be termed a success story.) Despite this background, Hinton suggests that there is no set policy against start-ups.

Hinton reiterates that the company's policy has been strictly to look for good opportunities without excess concern over the high asking price. Industry watchers following the growth of Murdoch Magazines point out that the company has become very

aggressive over last three years, culminating with the Triangle purchase. With the acquisition of *In Fashion* in February from VSI magazines (based in West Germany), Murdoch has again taken a plunge in the fashion magazine market. "We are constantly looking at companies," adds Hinton. But Hinton points out that there is no specific field of interest for the company. "We buy when we like the tangible assets of the company—the people," he quips. To Hinton, that's what makes or breaks a magazine.

The other options Murdoch is examining are projects that will give the company an international exposure in the publishing industry. Murdoch started the U.K. edition of *New Woman* recently and plans to expand the boundaries of other magazines too. But the single most important factor of Murdoch's pre-Triangle success may have been the joint ventures with the French publishing giant Hachette Group—*Elle* and *Premiere*.

The companies are also reportedly planning a new joint venture that would bring *Femme*, targeted for women age 35-49, to the United States. However, the recent struggle for advertising dollars among the new "mature magazines" may have stalled those plans for the moment.

Today, Murdoch Magazines is a part of the \$3.5 billion Australia-based publishing monolith News Corp. Other activities the corporation is involved in include a huge newspaper publishing company that operates worldwide, a commercial printing service, and a book publishing firm. It also owns Twentieth Century Fox and has television and broadcast rights throughout the United States and Europe.—S.M.

Meredith, Petersen, Conde Nast, American Express.

"In the case of competition for takeovers, it's definitely not a thoroughbred running against a half-breed," states Rattner of Morgan Stanley. "Don't forget," he adds, "that Hachette lost out in last year's bidding for the CBS titles, which were acquired by Diamandis in a leveraged buy out. They got more aggressive later.

Foreigners don't win them all," he states.

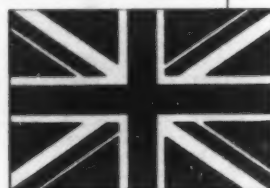
In fact, says Kenney, if you look at a list of acquisitions that took place in 1987 and the first half of 1988, "although the Europeans are very active in the marketplace, the actual track of transactions shows Americans are still selling to Americans." In 1987, for instance, of 12 major acquisitions,

only three involved foreign management, of Cahners buying *Variety* and *Modern Bride*, and John Fairfax buying *Ms.* There were even reverse transactions, in which the Reader's Digest bought *Family Handyman* from Maxwell, and McGraw-Hill bought aerospace publications from Murdoch.

Similarly, through the first half of 1988, there was the huge Hachette buy, but just a handful of other foreign acquisitions (Cahners' purchase of *Communications Today*, VNU's purchase of *Electronics* from McGraw-Hill, Murdoch's buy of *In Fashion* and *Sportswear International*, and Elsevier's buy of *Springhouse*.) The approximate dozen major other acquisitions were all Americans buying Americans. But the purchase of Triangle by Murdoch started off second half '88 with a bang.

Other analysts see U.S. companies suffering from a lack of entrepreneurship, needed to build global publishing empires. "U.S. companies are not as entrepreneurial as they used to be," Goodman suggests. "They got satisfied." The individuals in this country who would have made good entrepreneurs, like the U.K.'s Murdoch and Maxwell, "got top jobs in corporations instead," he says. Interests have been inward-turning as well, he notes. "A corporation like HBJ was content with Orlando Sea World. They had too many opportunities here. There isn't the grand cross continental vision" held by some foreign publishers, Goodman says, adding, "Americans are not well suited to go cross border, anyway. They're used to dealing with a more homogeneous market." Unlike

Reed International



Have cash, will acquire

Reed International is an aggressive force in U.S. publishing, anxious to build on American publishing holdings that already rank among the largest in the country. A giant on an international scale as well, Reed has some \$2 billion to invest in publishing, according to Walter Cahners, vice president/corporate development at Cahners Publishing, Reed's primary U.S. holding. And the United States is one of the company's primary targets.

Several years ago, what was then a diverse British publishing, information technology and manufacturing company implemented a major strategy change that made Reed one of the largest media companies in the world, with assets of \$2.3 billion, according to *Fortune's* ranking of the top 500 international companies. That new strategy called for aggressive divestiture of several manufacturing operations and reinvestment of the resulting cash into major publishing operations in Europe and the United States. It's U.S. publishing arm, Reed USA, has made more than \$400 million in acquisitions in this country in the last two years.

Reed USA comprises Cahners Publishing Company (acquired in 1976), book and directory publisher R. R. Bowker, and an international trade show operation with more than 160 shows. Cahners Magazines accounts for about 66 percent of sales, and exhibitions account for 27 percent.

In 1986 Reed USA paid \$250 million for Technical Publishing and its 21 business titles, and acquired its first specialty consumer publication, *American Baby*. Cahners then paid between \$43 million and \$60 million for *Variety* and \$64 million for *Modern Bride* in 1987.

In June of this year, Cahners purchased Communications/Today, Ltd., a group of seven business titles covering home furnishing industries.

The buys boosted Reed USA revenues tremendously. For the year ending March 31, 1988, trading

profit rose from \$63 million to \$83 million on turnover that rose from \$437 million to \$525 million.

Reed is apparently anxious to accelerate the pace of its growth. "There's nothing that is beyond their capabilities, if they're interested in a property," says Cahners, referring to the \$2 billion in proceeds from divestitures earmarked for publishing acquisitions in the United States and the Pacific Rim. He adds that Reed leaves most of the decision making to Cahners executives. To date, British headquarters has gone along with every Cahners purchase proposal.

Specialty consumer magazines will probably make up the greater share of Cahners' growth. The company already has solid leadership positions—with various forms of measure—with at least 40 of its 64 titles, claims Cahners, and he sees less room for expansion in those business markets than in consumer markets.

Cahners has been known to launch magazines where it can bolster market coverage, but acquisitions will continue to be its primary growth vehicle, says Cahners. In fact, the company is constantly on the lookout for new properties. It maintains and actively reviews a target list of magazines it would like to acquire and is not shy about pursuing them, whether on the market or not. The company is looking for special-interest field leaders, or near-leaders with the potential to dominate a market. It's looking for titles of an economic size comparable to its other titles, and will buy single titles or groups.

Cahners buys shrewdly, selecting only magazines that will turn a profit or can be folded into another to improve market position. It seldom sells titles.

Reed USA is also involved in developing communication technologies and expanding its cable television and specialty video operations.

Yet magazine publishing remains Reed's strength in the United States. Already boasting more than 70,000 ad pages annually, its priority is building that total through astute acquisition of specialty titles.—P.F.

many foreigners, many Americans speak only English, he notes.

Although some analysts question the ability of American companies to really expand their own publishing frontiers, others say start-ups are where the action lies for them. This contrasts with foreign companies' unwillingness to risk such ventures here themselves, says Suhler. "There is substantially greater corporate attention in the United States to start-ups and joint ventures as a way of expanding," Suhler notes. "If U.S. media companies are not as interested in going the distance in a

straightforward acquisition process, offshore conglomerates are less likely to do start-ups here. They have inhibitions about picking the right people or product and are more apt to buy established companies with established positions and pay a premium to do so," he states.

"They're buying market share, rather than starting from scratch," Waingrow agrees.

There may also be a trend to more leveraged buy outs, suggests Sarbin, like Diamandis' acquisition of titles from CBS and Edgell's from Harcourt.

Also, there may be a number of "spin-offs" from major acquisitions—the sale of individual or small groups of titles that don't fit with an acquiring company's plan, Sarbin suggests. "It will be a strategy of disacquisition—selling off what doesn't fit," he explains. This will leave a number of opportunities for small growing publishing entities in special interest or business to make some apt acquisitions from larger companies, he notes. Such a spin-off just took place: *Creative Ideas for Living*, bought by the PSC partnership group that owns *Games*, from Time

Inc.'s recently acquired Southern Progress division, Sarbin reveals.

U.S. companies are also encouraging entrepreneurial start-ups within their own ranks, such as Time did with Robin Wolaner's *Parenting* and Fairchild is doing this fall with *Spice*, a magazine for black women. It avoids the "huge start-up costs" a large publishing entity could incur for such innovation, Kobak notes, while assuring there will be a magazine it can buy someday. As one consultant suggests, "Why have Time spend a year and \$2 million designing a logo, when an entrepreneur would take two days and \$5,000." Real value is being created in these entrepreneurial companies, this analyst said—for instance, Owen Lipstein's *American Health* and its affiliates. "Through hard work, struggling, and little capital, they've built a company a big publisher would love to buy and for which there would be severe competition if it were for sale," he states.

In part because of the amount of consolidation that has gone on through numerous acquisitions, the independent publishers that remain will all be hotly contested for, these experts say. In addition to Lipstein's company, Petersen and Knapp are often mentioned as likely targets, as is Lane Publishing. Recently it has been mentioned that *Newsweek* could be available, because of profitability problems it is perceived as having within the Washington Post Company.

On the acquirers' end, look for action from the Canadian Telemedia, which recently increased its ownership in Harrowsmith in the United States as a prelude to other acquisitions, says Orlow. Nelson notes that Elsevier is mainly interested in two kinds of acquisitions: small integratable companies and large stand-alone entities that can add a 'synergy' to what we own," he notes. It too, like Cahners, may be interested in diversifying into consumer magazines, he adds.

Don't be surprised if there seems to be a period of quiescence among U.S. acquirers, Segel adds—they've got a lot on their plates. "Capital Cities and ABC were active players but are now concentrating on broadcasting, as is CBS," he notes, while Edgell has to digest what he bought. "I'm sure that company will be active again," Segel says, but notes some major U.S. players are "sitting on the sidelines."

There are many different views on whether the level of foreign ownership of publishing in this country is good or bad. The high profile images of power hungry Murdochs and Maxwells get a lot of press, while some of the huge off-shore conglomerates—Bertelsmann, Gruner + Jahr, VNU, Elsevier, Hachette—are relatively faceless. In part those impressions are the natural result of corporate personalities. For instance, Nelson notes that Elsevier has a "low corporate ego," with little desire for a high media profile. "The company has a flat corporate organizational scheme, it's highly scientific and technical with solid management credentials," he notes. In many cases, such an image is a help in acquisitions, he adds.

Practically, when a foreign acquisition takes place, it's important to do

Many of the foreign companies have terrific balance sheets. They're not as heavily leveraged as many American firms.

due diligence, notes Boddorf, and spell out carefully what each side expects. "You get into problems when you don't select your potential partner carefully and develop the right written support," he notes.

The purchase of Hayden by VNU has been beset by problems involving a disagreement on what was agreed to be paid for the company, sources close to the company say. The payout for the company was contingent on earnings, one source says, and Hayden is arguing it is entitled to additional payments.

On a more philosophical level, the issue of ownership of the American press by foreigners troubles some analysts and doesn't bother others. "Independence is a state of mind," Kobak asserts.

A study of the behavior of foreign acquirers in this country would find a record of probity and competence, Suhler notes. "Anyone who is uncomfortable with the growing presence of multinational companies on the U.S. media scene should have the opportunity to observe what happens when

one takes over," he says. "My observation is that their managements are very competent publishers. There has been no loss of professionalism or a wholesale overhauling of management," he notes. Most senior managements have been retained or replaced with other Americans. "They are pretty terrific publishers," he concludes.

They are too savvy, he adds, to in any way adulterate the news-gathering process in this country. "Media prosperity is related to audience and they know that," he states, adding that abuse of publishers' relationship with their audience would be bad business. Suhler notes it is only wise "to be on our toes for the potential of problems, despite the lack of evidence of any."

Consultant Orlow is a lot less sanguine about the changes: "Other countries have laws to forbid the foreign ownership of the press, but we only protect electronic media and newspapers. We've sold 25 percent of the press to foreigners in the last decade. The only ones not here are the Japanese—and 10 years ago none of them were here. There are now 25 foreign publishing companies with major holdings in the United States—25 years ago you couldn't list two. I think the magazines of a culture should be owned by people in that culture, and it's inherently unhealthy" for there to be such a degree of cross-ownership.

"There is such a thing as a national interest and it can get in conflict" with the profit motive. "It depends on what your notion of a free press is, but I don't believe the nationals of one country should control the media of another country. We shouldn't allow our channels of communication to be owned by other than American citizens," he says.

Then there is the possibility that this is all part of a great cycle, and that eventually the ownership question will balance out as more U.S. companies build and acquire new publishing entities. "What we've had is a group of small publishing companies that built niches for themselves and sold them," says Beatty, and this is happening again. "There is no trend to concentration in the hands of a few. There is always the small independent publishing company that can put out a dignified editorial product and beat the big guys. It happens time and again."

Sounds familiar—like the old American dream, doesn't it? □

FOLIO:'s 1988 Production salary survey

How do you compare
to your peers
in production?
Salaries reported
by sex, number
of pages, years
in the business,
and more

BY ROBERT M. STEED

Magazine production is one of the most vital, least understood aspects of the publishing business. Those in production must blend attention to detail and deadlines, artistic sense and cost consciousness with an ability to keep up with the dizzying pace of technological innovation.

In its fourth annual production salary survey, FOLIO: provides some insights into salaries paid to people in production. Although those salaries can be substantial for people working on large magazines, the overall averages appear lower than those for other magazine functions FOLIO: has surveyed.

Following are some of the general findings from the responses of almost 500 production directors and production managers:

- For production directors, salary and total compensation are clearly related to the size of the magazine, whether measured by circulation, number of total pages or staff size. That correlation is far less pronounced among production managers.

- Experience also pays off much

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more handsomely for production directors than for production managers.

- In contrast to production directors, salaries and total compensation of production managers generally show only modest variation based on the different factors affecting pay that FOLIO: has analyzed.

- Almost two-thirds of the total sample are female. And women continue to earn less than men, with the gap being narrower among production managers than in the more senior job.

- Consumer magazines consistently pay more than business magazines throughout almost all the breakdowns of the data.

One technical aspect of the responses may provide a clue to these and other results. Although questionnaires were sent to an equal number of production directors and production managers (see box on methodology), there were substantially more responses from production managers. This may suggest that, in many cases (perhaps on smaller magazines), respondents with the title production director on the masthead found the questionnaire's job description of production manager to be a closer match to their responsibilities.

Production directors

The average salary of production directors responding to the survey is \$41,170. For those who receive a bo-

159

74097409

USP United States Publishing Co.

PAY TO THE ORDER OF JOHN PRODUCTION DIRECTOR

AUGUST 1 19 88

\$ 41,170.00 DOLLARS

FORTY ONE THOUSAND ONE HUNDRED & SEVENTY

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EARL KELENY

"It's a constant battle to stay abreast of the technology, and continue to be cost-efficient. I find that challenge rewarding."

—Production director in the Midwest, earning roughly \$35,000 in salary and bonus.



nus (about 44 percent of the sample), total compensation is \$49,592. The bonus is not the only factor in that difference, since the salary of one of those eligible for a bonus (half the directors) is \$6,000 more than those who are not bonus-eligible.

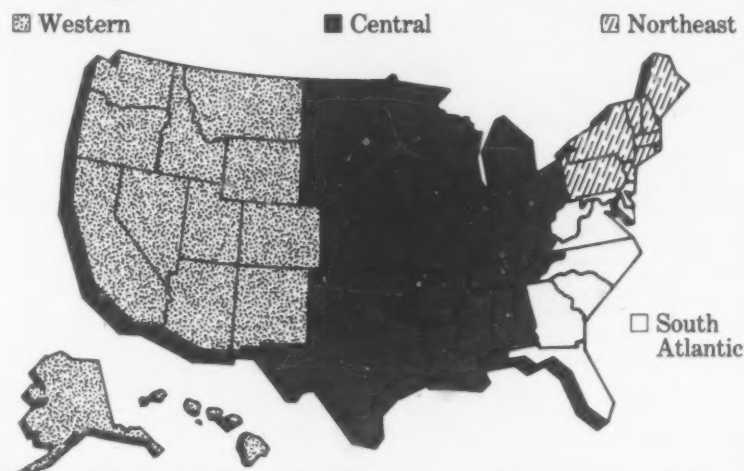
Directors working on consumer magazines outpace their business magazine counterparts by over \$5,000 in salary and by \$9,000 in total compensation. Consumer magazine directors come out ahead in almost all the breakdowns of the data, which may be caused, in part, by the fact that over two-thirds of those responding to this survey work on consumer magazines with circulations of 100,000 or more.

The sample was evenly split between men and women. But women earn only 78 percent of the salaries of men; and the ratio falls to 69 percent on a total compensation basis. Because this survey tests only one variable at a time (see box on using the numbers), it is not possible to tell to what extent, if any, this outcome results from factors other than sex—such as the size or frequency of the magazines on which female production directors work.

Experience clearly pays off: The salaries of production directors in the business more than 20 years are almost double the salaries of those with three years' or less experience. A Northeast location helps as well. That region pays salaries \$5,500 more than the next highest (the West) and \$12,000 more than the South Atlantic, which is the lowest paying area of the country.

Scope of responsibility bears a clear relationship to pay as well. Production directors working on more than one

The regions have been divided as follows:



magazine (56 percent of the sample) earn \$8,500 more in salary than those working on just one magazine. And those with a staff of more than five earn \$51,044, compared with the low \$30,000s for those with a staff of none or one, and \$39,546 where the staff is two to five persons.

But the clearest indicator of all is size of magazine, no matter how measured:

- Production directors on magazines with over 500,000 circulation earn \$56,767 in salary, two-thirds more than those on magazines with under 50,000 circulation. And if they receive a bonus, directors on large magazines earn almost \$75,000, virtually double

the earnings of their counterparts on very small magazines.

- The same pattern emerges when average total pages is analyzed: Production directors of magazines producing less than 500 pages annually average \$35,033 in salary, compared with \$54,990 for those on magazines with over 3,000 pages.

- Directors on weeklies and bi-weeklies also earn significantly more than their counterparts on monthlies or magazines with other frequencies.

Production managers

Although many of the patterns described above are repeated for production managers, the difference in sal-

Using the numbers

It is important to use the salary information in this survey cautiously. In many instances there were not enough respondents in certain cells to allow valid conclusions to be reached. For this reason, FOLIO: is publishing the number of respondents in each cell (shown in parentheses). In addition, not all respondents answered all questions. Therefore, the total number of respondents in the "average" column of a chart is not necessarily the sum of the subcategories.

The survey also examines only one variable at a time. For example, production directors in the Northeast earn higher salaries than their peers in other regions—but are those in the Northeast who participated in the survey working on larger magazines? Are they the ones with the most experience? The survey methodology does not enable those multiple variables to be analyzed.

One should be extremely cautious about comparing the data in this survey with data from prior years. Those who responded to this survey may well come from a different mix of magazines than do respondents to prior surveys. Comparisons are thus best made not on the broad averages, but on the more detailed breakdowns by magazine size, scope of responsibility, respondents' experience, and the like.

Last, for the first time, FOLIO: is combining salary and bonus for those reporting both types of compensation in order to give a truer picture of total compensation for production personnel.

ary levels is much smaller; and, in some situations, there is no significant difference at all. In effect, salary and total compensation are compressed into much narrower bands for production managers than for directors.

For example, while production managers on consumer magazines earn more than those on business magazines, the difference is only \$2,200, or 8 percent, compared with over \$5,000, or 12 percent, for directors. And managers who receive a bonus (34 percent of the sample) are paid 20 percent more in total compensation than those who do not get a bonus, compared with a 30 percent differential for directors.

Women, who comprise 71 percent

"My plans include creating an award-winning magazine and making the type of money I'm really worth."

—Production manager in the West, earning salary in the high twenties.

of the sample, have average salaries that are about 85 percent those of men; and their total compensation is 83 percent of men's. Experience, while clearly correlated to salary, also has less of an impact, with salaries rising from \$22,541 for those just starting out in the business to only \$32,815 for managers with over 20 years' experience. Production managers in the Northeast earn \$4,000 to \$5,000 more than their counterparts in other parts of the country.

Number of employees supervised also has only a small bearing on pay. Those with only one person, or none, on staff average about \$25,000 in salary, and those with a staff of five or more average \$31,553. Further, production managers working on one magazine earn slightly higher salaries than those working on more than one, the opposite of what one would normally expect; total compensation of managers with multititle responsibility is \$4,500 more than those with just one magazine to worry about.

Salary is directly correlated with magazine size, although again the

Production director

Production director (may be called vice president of production): Negotiates printing, typesetting and engraving contracts; establishes production schedules. Oversees individual production managers and advises on technical matters; is directly responsible for quality control.

Average salaries (The number of respondents is in parentheses.) **% increase from '87 to '88**

All respondents	████████████████████	\$41,170 (186)	10.5%
Business	██████████████████	38,868 (95)	8.6
Consumer	██████████████████	44,096 (86)	12.7

Top one-third	████████████████████	\$58,942 (62)
Middle one-third	██████████████████	38,847 (62)
Bottom one-third	██████████████	25,723 (62)

	Average	Average business	Average consumer
By region:			
Northeast	\$46,730 (68)	\$44,143 (32)	\$49,561 (34)
South Atlantic	34,719 (31)	33,696 (22)	37,222 (9)
Central	37,471 (49)	33,324 (25)	42,727 (22)
Western	41,253 (38)	44,094 (16)	39,625 (21)

By sex:			
Male	\$46,349 (93)	\$43,745 (43)	\$48,717 (48)
Female	35,992 (93)	34,835 (52)	38,258 (38)

By years in production:			
Up to 3	\$30,385 (13)	\$28,045 (11)	\$56,500 (1)
4-10	35,783 (84)	34,577 (38)	37,270 (44)
11-20	43,328 (58)	41,626 (31)	45,281 (27)
More than 20	58,341 (29)	53,903 (14)	65,095 (13)

By employees supervised:			
None	\$33,686 (19)	\$28,488 (14)	\$48,240 (5)
One	30,585 (27)	31,582 (11)	29,899 (16)
2-5	39,546 (83)	36,663 (42)	43,230 (37)
More than 5	51,044 (57)	50,229 (28)	52,612 (28)

Responsible for:			
One magazine	\$36,360 (81)	\$36,128 (40)	\$37,053 (38)
More than one magazine	44,881 (105)	40,861 (55)	49,671 (48)

Eligible for bonus/incentive:			
Yes	\$44,103 (94)	\$40,851 (45)	\$47,837 (47)
No	38,174 (92)	37,083 (50)	39,587 (39)

By circulation:†			
Up to 49,999	\$33,850 (60)	\$34,410 (42)	\$30,925 (16)
50,000-99,999	36,379 (33)	37,248 (21)	35,936 (11)
100,000-499,999	43,006 (62)	44,921 (29)	42,087 (31)
500,000 and more	56,767 (31)	54,124 (3)	57,051 (28)

By frequency:†			
Weekly/biweekly	\$50,688 (30)	\$46,707 (21)	\$59,978 (9)
Monthly	40,579 (114)	37,950 (55)	43,540 (55)
Other	35,978 (42)	32,861 (19)	38,986 (22)

By average total pages produced annually:†			
Up to 499	\$35,033 (15)	\$25,300 (5)	\$39,900 (10)
500-999	33,541 (55)	32,470 (31)	35,417 (22)
1,000-1,499	40,206 (41)	38,488 (21)	42,718 (17)
1,500-2,999	44,009 (37)	40,159 (17)	47,282 (20)
3,000 and more	54,990 (35)	51,822 (20)	59,213 (15)

†Refers to the largest circulation magazine on which respondent works.

Production manager

Production manager: Directly responsible for daily production operations, including publication paste-up, quality control and maintaining production schedules. Is liaison with printing plant. May traffic advertising and editorial materials.

Average salaries (The number of respondents is in parentheses.) **% increase from '87 to '88**

All respondents		\$27,025 (309)	11.2 %
Business		26,287 (185)	11.4
Consumer		28,504 (115)	10.2

Top one-third		\$36,511 (103)
Middle one-third		25,662 (103)
Bottom one-third		18,901 (103)

	Average	Average business	Average consumer
By region:			
Northeast	\$29,928 (121)	\$28,575 (76)	\$32,440 (43)
South Atlantic	25,980 (40)	25,349 (25)	28,790 (12)
Central	24,858 (100)	24,292 (63)	25,898 (34)
Western	25,089 (48)	25,104 (21)	25,273 (26)

By sex:			
Male	\$30,261 (89)	\$29,384 (49)	\$32,533 (36)
Female	25,723 (219)	25,179 (135)	26,669 (79)

By years in production:			
Up to 3	\$22,541 (76)	\$22,311 (51)	\$23,024 (21)
4-10	27,225 (163)	26,051 (92)	29,140 (66)
11-20	30,845 (51)	31,388 (28)	30,184 (23)
More than 20	32,815 (18)	31,821 (13)	35,400 (5)

By employees supervised:			
None	\$24,720 (88)	\$23,865 (58)	\$26,869 (29)
One	25,098 (69)	25,415 (45)	24,836 (20)
2-5	28,495 (112)	27,808 (63)	29,631 (45)
More than 5	31,553 (38)	31,194 (17)	31,843 (21)

Responsible for:			
One magazine	\$27,117 (147)	\$26,747 (88)	\$27,576 (56)
More than one magazine	26,941 (162)	25,870 (97)	29,386 (59)

Eligible for bonus/incentive:			
Yes	\$ 28,756 (113)	\$ 27,577 (68)	\$ 30,413 (44)
No	26,026 (196)	25,537 (117)	27,321 (71)

By circulation:†			
Up to 49,999	\$23,787 (132)	\$23,563 (100)	\$24,618 (30)
50,000-99,999	27,896 (74)	28,847 (47)	26,608 (25)
100,000-499,999	29,410 (71)	29,756 (33)	29,332 (36)
500,000 and more	34,729 (29)	33,800 (5)	35,415 (22)

By frequency:†			
Weekly/biweekly	\$30,950 (42)	\$30,930 (30)	\$30,999 (12)
Monthly	26,802 (204)	25,291 (126)	29,507 (73)
Other	25,484 (59)	25,873 (28)	25,304 (28)

By average total pages produced annually:†			
Up to 499	\$24,771 (54)	\$24,715 (26)	\$25,696 (24)
500-999	25,160 (60)	23,976 (37)	27,514 (20)
1,000-1,499	26,070 (74)	24,730 (46)	28,271 (28)
1,500-2,999	28,222 (69)	27,858 (41)	28,487 (27)
3,000 and more	31,379 (38)	30,465 (26)	33,358 (12)

differences are not dramatic. Production managers on magazines with under 50,000 in circulation earn \$23,787, only \$11,000 less than those on magazines with circulations over 500,000. And managers on magazines producing less than 500 pages average \$24,771 in salary, only \$6,600 less than those on magazines with over 3,000 pages.

Although we cannot be certain, one possible explanation for this apparent compression is that the production manager may be the top production employee on many small magazines, whereas on larger ones, the manager is

"At the present time, I would like to get our four-color magazine out on a timely basis every month—without having a heart attack!"

—Production manager in the South, earning roughly \$25,000 in salary and bonus.

in a second level job, reporting to a production director. One indication that this may be the case is that 43 percent of the production managers responding to this survey work on magazines with circulations less than 50,000.

FOLIO: also asked its respondents to indicate their career goals. Notwithstanding the often frustrating nature of the job, the long hours, pressure and constant need to stay on top of technology, the great majority of these production professionals indicated a commitment to their profession and a desire to stay in it and grow with it.

Indeed, a few of them have set their sights on becoming publishers. And given the increasing importance of their role and the insights they can gain on the entire publishing process, it is not unreasonable to expect that some of them will achieve that objective. As one production manager put it: "Surviving in an ever-changing, technologically oriented industry with hopes that I can land a position as production director and eventually move into the publisher mode with a company that will not put limits on what I can do to improve my technical education and also reward me for a job well done is my dream." □

†Refers to the largest circulation magazine on which respondent works.

Average annual total compensation*

	Production director	Production manager
Receive bonus/incentive:		
Yes	\$49,592 (81)	\$31,310 (102)
No	38,174 (92)	26,026 (196)

Magazine type:

Consumer	\$54,602 (39)	\$33,186 (40)
Business/professional	45,640 (40)	29,944 (61)

By region:

Northeast	\$54,447 (32)	\$34,936 (38)
South Atlantic	41,785 (11)	28,521 (9)
Central	44,136 (21)	28,544 (37)
Western	52,246 (17)	30,739 (18)

By sex:

Male	\$58,287 (42)	\$35,066 (38)
Female	40,228 (39)	29,080 (64)

By years in production:

Up to 3	\$30,280 (5)	\$25,461 (30)
4-10	43,027 (28)	32,381 (51)
11-20	48,237 (35)	37,271 (14)
More than 20	74,809 (13)	36,657 (7)

By employees supervised:

None	\$55,125 (4)	\$27,471 (25)
One	37,992 (7)	28,206 (19)
2-5	41,227 (40)	31,777 (41)
More than 5	62,714 (30)	39,381 (16)

Responsible for:

One magazine	\$44,279 (27)	\$28,927 (48)
More than one magazine	52,249 (54)	33,429 (54)

By circulation:†

Up to 49,999	\$38,230 (23)	\$26,890 (41)
50,000-99,999	40,008 (13)	30,404 (26)
100,000-499,999	51,378 (32)	35,653 (21)
500,000 and more	74,883 (13)	39,425 (14)

By frequency:†

Weekly/biweekly	\$65,295 (14)	\$38,449 (17)
Monthly	46,659 (50)	29,281 (67)
Other	45,288 (17)	33,200 (16)

By average total pages produced annually:†

Up to 499	\$48,058 (6)	\$33,058 (18)
500-999	38,070 (22)	31,008 (17)
1,000-1,499	45,569 (18)	28,965 (27)
1,500-2,999	50,302 (16)	29,247 (21)
3,000 and more	70,528 (17)	34,133 (13)

*Includes only individuals who reported receiving both salary and bonus; the number of respondents is in parentheses.

†Refers to the largest magazine on which respondent works.

Average annual bonus/incentive*

	Production director	Production manager
Average bonus/incentive:	\$4,671 (81)	\$2,400 (102)

Magazine type:

Consumer	\$5,491 (39)	\$2,552 (40)
Business/professional	4,033 (40)	2,281 (61)

By region:

Northeast	\$5,022 (32)	\$2,833 (38)
South Atlantic	3,735 (11)	2,200 (9)
Central	3,755 (21)	1,867 (37)
Western	5,750 (17)	2,683 (18)

By sex:

Male	\$6,483 (42)	\$2,628 (38)
Female	2,720 (39)	2,265 (64)

By years in production:

Up to 3	\$1,780 (5)	\$1,666 (30)
4-10	3,255 (28)	2,636 (51)
11-20	4,763 (35)	3,057 (14)
More than 20	8,588 (13)	2,514 (7)

By employees supervised:

None	\$2,625 (4)	\$1,999 (25)
One	4,549 (7)	1,595 (19)
2-5	2,981 (40)	2,811 (41)
More than 5	7,227 (30)	2,894 (16)

Responsible for:

One magazine	\$4,589 (27)	\$2,220 (48)
More than one magazine	4,713 (54)	2,560 (54)

By circulation:†

Up to 49,999	\$3,806 (23)	\$1,945 (41)
50,000-99,999	2,938 (13)	2,692 (26)
100,000-499,999	4,638 (32)	2,625 (21)
500,000 and more	8,019 (13)	2,854 (14)

By frequency:†

Weekly/biweekly	\$7,621 (14)	\$2,914 (17)
Monthly	3,988 (50)	2,249 (67)
Other	4,253 (17)	2,569 (16)

By average total pages produced annually:†

Up to 499	\$3,058 (6)	\$3,817 (18)
500-999	3,498 (22)	1,959 (17)
1,000-1,499	3,686 (18)	1,940 (27)
1,500-2,999	4,225 (16)	2,443 (21)
3,000 and more	8,479 (17)	1,726 (13)

*The number of respondents is in parentheses.

†Refers to the largest circulation magazine on which respondent works.

**"Long-term goals?
Increased knowledge,
increased salary,
increased responsibility
with larger circulation
publications."**

—Production director in the South, earning salary in the mid twenties, working for a multititle publisher.

Methodology

Five hundred forty-four of the 1,127 production professionals who received questionnaires responded to FOLIO's fourth annual production salary survey, resulting in a response rate of 48 percent. Of the total responses, 495 contained sufficient information to be used for tabulation. The survey was conducted through two mailing efforts in April. Participants were asked to supply data reflecting 1988 earnings; if exact figures were unavailable, they were requested to estimate.

In some cases, respondents did not give an exact bonus figure, but gave an expected range instead. Here the mean was used for tabulation. For example, if a respondent indicated that his or her annual bonus would be between \$4,000 and \$6,000, the arithmetic mean of \$5,000 was used as that respondent's expected bonus for the year.

The sample was evenly divided between production directors and production managers, based on masthead designations. Each category was also evenly divided between consumer and business publications. A job description has been included with each compensation chart. These descriptions were printed on the questionnaire; and respondents were asked to choose the description that most accurately reflected their duties even if different from their job titles.



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